

CASS COUNTY MEMORIAL HOSPITAL
INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2013 AND 2012

CASS COUNTY MEMORIAL HOSPITAL

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CASS COUNTY MEMORIAL HOSPITAL
Officials
June 30, 2013

<u>Board of Trustees:</u>	<u>Address</u>	<u>Term Expires</u>
Ned Brown, Chairman	Atlantic, Iowa	2014
Jerry Putnam, Vice-Chairman	Griswold, Iowa	2014
Leanne Pellett, Secretary and Treasurer	Atlantic, Iowa	2014
John Molgaard	Atlantic, Iowa	2016
Phyllis Stakey	Massena, Iowa	2016
Roger Herring	Atlantic, Iowa	2018
Julie Pollock	Anita, Iowa	2018
<u>Administrator/CEO:</u>		
Patricia A. Markham	Atlantic, Iowa	
<u>Assistant Administrator/CFO:</u>		
Stephen Lewis	Atlantic, Iowa	

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

MARK D. KYHNN
DAVID L. HANNASCH
KENNETH P. TEGELS
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Cass County Memorial Hospital
Atlantic, Iowa

Report on the Financial Statements

We have audited the accompanying statements of net position of Cass County Memorial Hospital as of June 30, 2013 and 2012 and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Hospital's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Trustees
Cass County Memorial Hospital

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Bases for Qualified Opinion

The financial statements do not include an estimate of an Other Post Employment Benefits (OPEB) liability for an implicit health insurance premium rate subsidy resulting from the legal requirement to allow employees retiring after age 55 to remain on the Hospital's healthcare plan until age 65. Accounting principles generally accepted in the United States of America require that any material liability resulting from this OPEB requirement be included in the financial statements (Note P).

The financial statements do not include financial data for the Hospital's legally separate component units, Cass County Memorial Hospital Foundation and Cass County Medical Clinics. Accounting principles generally accepted in the United States of America require the financial data for the component units to be reported with the financial data of the Hospital unless the Hospital also issues financial statements for the financial reporting entity that include the financial data for its component unit. The Hospital has not issued such reporting entity financial statements (Note A).

Qualified Opinion

In our opinion, except for the effect of not including an estimated OPEB liability for the implicit health insurance premium rate subsidy and the effect of omitting the blended component units, as discussed in the previous section, the financial statements referred to above present fairly in all material respects, the financial position of Cass County Memorial Hospital as of June 30, 2013 and 2012 and the results of its operations, changes in financial position, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis and the Budgetary Comparison Information on pages 3 through 3d and on page 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Cass County Memorial Hospital's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2011 (which are not presented herein) and expressed qualified opinions on those financial statements. The supplementary information on pages 1 and 28 through 44 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Board of Trustees
Cass County Memorial Hospital

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2013 on our consideration of Cass County Memorial Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Gmewold, Ben, Kyhan & Co. P.C.

Atlantic, Iowa
October 15, 2013



Cass County Memorial Hospital

1501 East 10th Street

Atlantic, Iowa 50022

712-243-3250

CASS COUNTY MEMORIAL HOSPITAL Atlantic, Iowa Management's Discussion and Analysis

Management's discussion and analysis of the Hospital's financial performance provides an overview of the Hospital's financial activity for the fiscal years ended June 30, 2013, 2012, and 2011. Please read it in conjunction with the Hospital's financial statements, which begin on page 4.

The major difference in financial activity from FY 2013 and FY 2012 is due to an increase in depreciation and interest expense. The Pharmacy 340b program was in place for a full year and we continue to receive a Federal Subsidy for bond interest expense, though it was decreased by 8% due to the Government Sequester. The Hospital is a Critical Access Hospital and the Clinics are Provider Based Rural Health Clinics, thus the Hospital and the Rural Health Clinics receive "cost based" reimbursement from Medicare and Medicaid.

The Hospital issued debt of \$23.5 million for the 2010 addition and remodeling of new inpatient, emergency room, rehab and surgical areas. The addition was completed at the end of June, 2012 and the remodeling was completed in March of 2013. The Hospital decided to add an in-house MRI and the remodeling for this project started in August 2013. The MRI project will be paid out of Hospital reserves.

USING THIS ANNUAL REPORT

The Hospital's financial statements consist of three statements – Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by contributors, grantors, or enabling legislation.

Statistical Analysis gives us an indication of Hospital utilization in certain areas. As with most rural hospitals, Cass County Memorial Hospital has seen a continued shift from "Inpatient utilization" to "Outpatient utilization." Thus, more procedures are done on an outpatient basis due to improved technology.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position help us understand if the Hospital as a whole is better or worse off as a result of this year's activities. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Both statements report the Hospital's net position and changes in them. The change in net position is a measure of the Hospital's "financial health," but you will need to consider other "nonfinancial" factors such as changes in the Hospital's patient base, measures in the quality of service, and local economic factors to assess the overall health of the Hospital.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities.

STATISTICAL ANALYSIS

The Hospital experienced increased utilization in Acute Care (3.8%), Nursery (24.2%) and Rural Health Clinic Visits (3.1%) compared to FY 2012. Decreased utilization occurred in Skilled Care (21.3%), Behavioral Health Services (7.0%) and Outpatient Occasions of Service (3.1%). This is summarized in Table 1.

Table 1: Statistics

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Acute Care:			
Discharges	587	622	611
Patient Days	2,058	1,982	1,807
Skilled Care:			
Discharges	190	231	209
Patient Days	1,451	1,843	1,633
Behavior Health Unit:			
Discharges	214	214	274
Patient Days	1,021	1,098	976
Nursery:			
Patient Days	333	268	297
Outpatient Occasions of Service	61,836	63,791	63,279
Rural Health Clinic Visits	42,225	40,969	38,672

STATEMENT OF NET POSITION

Net position increased 10% from \$26,382,050 to \$29,037,052. Total Current Assets increased 14%. Cash increased 33% (135 Days Cash on Hand). Net patient receivables decreased 11% (48 Net Accounts Receivable Days). Current liabilities decreased 0.7% due a decrease in estimated third party payor settlements. Long term debt decreased 4%.

Table 2: Assets, Liabilities, Net Position

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Assets:			
Current assets	\$ 23,138,230	\$ 20,293,387	\$ 15,674,283
Capital assets, net	32,374,635	29,298,988	13,400,851
Other noncurrent assets	<u>4,536,003</u>	<u>7,605,818</u>	<u>23,513,080</u>
Total assets	<u>\$ 60,048,868</u>	<u>\$ 57,198,193</u>	<u>\$ 52,588,214</u>
Liabilities:			
Long-term debt outstanding	\$ 22,150,000	\$ 23,027,305	\$ 23,819,026
Other current and noncurrent			
Liabilities	<u>7,733,548</u>	<u>7,788,838</u>	<u>5,529,609</u>
Total liabilities	<u>\$ 29,883,548</u>	<u>\$ 30,816,143</u>	<u>\$ 29,348,635</u>
Deferred Revenue	<u>\$ 1,128,268</u>	<u>\$ --</u>	<u>\$ --</u>
Net Position:			
Invested in capital assets, net of			
Related debt	\$ 9,364,653	\$ 9,310,482	\$ 7,439,765
Restricted	2,521,516	2,136,899	3,104,007
Unrestricted	<u>17,150,883</u>	<u>14,934,669</u>	<u>12,695,807</u>
Total net position	<u>\$ 29,037,052</u>	<u>\$ 26,382,050</u>	<u>\$ 23,239,579</u>

STATEMENT OF REVENUES, EXPENSES, & CHANGES IN NET POSITION

Patient Service Revenue increased 8% from last fiscal year. Inpatient revenue increased 6%, Swing Bed decreased 29%, Behavioral Health decreased 6%, Outpatient increased 12% and the Rural Health Clinic increased 9%.

Contractual adjustments to Patient Service Revenue increased 7%. Adjustments for bad debt increased 12%, uncompensated care increased 88% and Rural Health Clinic adjustments decreased 25%.

Expenses increased 9%. Salary expense increased 1%, employee benefits increased 7%, professional fees increased 17%, supplies and other expense increased 3%, depreciation increased 93%.

The Hospital had a net operating loss of \$385,162 compared to a net operating loss of \$211,928 in FY 2012. This is consistent with the Hospital's operating history. In 1966, when operations began as a county hospital, it was agreed that a portion of its cost would be subsidized by property tax revenues, making the facility more affordable for the county's lower income residents. Nonoperating revenue (which includes County tax support) decreased by 9% due to an increase in interest expense. The excess of revenue over expense decreased from \$3,142,471 to \$2,655,002 (5.3% total margin).

Table 3: Revenues, Expenses & Changes in Net Position

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating Revenues:			
Patient service revenue	\$ 50,421,417	\$ 46,792,586	\$ 44,871,636
Adjustments to patient service revenue	(17,750,261)	(16,582,150)	(16,961,710)
Net patient service revenue	32,671,156	30,210,436	27,909,926
Other operating revenue	798,999	758,766	844,730
Total operating revenues	33,470,155	30,969,202	28,754,656
Operating Expenses:			
Salaries	14,091,919	13,976,127	14,009,973
Employee benefits	4,759,748	4,440,091	4,179,944
Professional fees	4,438,482	3,792,351	3,543,128
Supplies and other expense	7,678,033	7,478,356	7,617,056
Depreciation	2,887,135	1,494,205	1,594,741
Amortization	14,609	--	492,016
Total operating expenses	33,855,317	31,181,130	31,436,858
Operating loss	(385,162)	(211,928)	(2,682,202)
Nonoperating Revenue and Expense:			
Property taxes	2,121,802	1,963,859	1,956,971
Other Nonoperating revenue and Expense	918,362	1,390,540	876,064
Total Nonoperating revenue And expense	3,040,164	3,354,399	2,833,035
Excess of Revenues Over Expenses	2,655,002	3,142,471	150,833
Net Position Beginning of Year	26,382,050	23,239,579	23,088,746
Net Position End of Year	<u>\$ 29,037,052</u>	<u>\$ 26,382,050</u>	<u>\$ 23,239,579</u>

STATEMENT OF CASH FLOWS

Changes in the Hospital's cash flows are consistent with changes in operating losses and non operating revenues and expenses, discussed earlier. The Hospital received cash from patient and third party payors of \$33,535,680 along with other revenue of \$785,952. Cash paid out to suppliers was \$16,643,505 and employees was \$14,080,896. Net cash provided by operating activities was a positive \$3,597,321 compared to \$936,314 in FY 2012.

The net increase in cash and cash equivalents was \$3,091,620 which included a decrease in capital expenditures for the construction project, a decrease in designated and restricted assets plus a positive net gain in Retail Pharmacy income.

BUDGETARY HIGHLIGHTS

The official county budget of the Hospital for the year ended June 30, 2013 was prepared on a modified accrual basis. Revenue was 1% below budget and expense was 3% below budget. There was no amendment made to the county budget for the fiscal year.

CAPITAL ASSETS

At the end of FY 2013, the Hospital had \$32,374,635 invested in capital assets, net of accumulation depreciation. In FY 2013 the Hospital had capital additions costing \$6,034,066. The Hospital construction in progress and computer system projects was \$97,512.

DEBT

The Hospital has three capital leases for the purchase of equipment. These leases carry interest rates of 6.93% to 20.34% and mature from August, 2013 to January, 2014.

The Hospital issued \$6,780,000 of Hospital Revenue Bonds (Series 2010A) in December, 2010 to pay the cost of expansion and renovation of the Hospital. These bonds are payable from revenues of the Hospital and final payment is due June, 2035. Interest rate of 7.25% is due semi-annually.

The Hospital issued \$16,720,000 of Hospital Revenue Bonds (Series 2010B) in December, 2010 to pay the cost of expansion and renovation of the Hospital. These bonds are payable from revenues of the Hospital. The bonds mature in annual installments beginning in June, 2013 through June, 2026 and installments due June, 2028 and June, 2033, with an interest rate of 2.6% - 10.0%. The Hospital is eligible to receive a 45% subsidy of interest paid from the Federal Government each year for these bonds. This subsidy was reduced 8% this year due to the government sequester.

Under the terms of the Series 2010 bonds the Hospital is required to maintain certain deposits with a bank. The terms of the bonds also places limits on the incurrence of additional debt and requires the Hospital to satisfy certain measures of financial performance, Debt Service Ratio of 1.25 or greater and maintain greater than 60 days cash on hand as long as the bonds are outstanding starting in 2013. In FY 2013 the Debt Service Ratio was 2.79 and Days Cash on Hand were 166.

Total Long Term Debt and Capital Leases outstanding at the end of FY 2013 totaled \$23,015,799.

CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact administration at Cass County Memorial Hospital, Atlantic, Iowa 50022.

CASS COUNTY MEMORIAL HOSPITAL
Statements of Net Position
June 30,

ASSETS

	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash	\$ 11,889,026	\$ 8,915,658
Patient receivables, less allowances for doubtful accounts and contractual adjustments (\$1,875,000 in 2013, \$1,953,000 in 2012)	4,254,951	4,767,569
Other receivables	1,703,386	1,534,699
Inventory	588,916	450,895
Prepaid expense	501,536	550,649
Succeeding year property tax receivable	2,107,000	2,013,000
Internally designated assets	<u>2,093,415</u>	<u>2,060,917</u>
Total current assets	23,138,230	20,293,387
Designated and Restricted Assets:		
Internally designated assets	2,096,807	1,383,794
Restricted assets	<u>3,613,673</u>	<u>7,236,615</u>
	5,710,480	8,620,409
Less amounts required to meet current liabilities	<u>2,093,415</u>	<u>2,060,917</u>
	3,617,065	6,559,492
Capital Assets:		
Depreciable capital assets, net	31,841,560	27,857,743
Non-depreciable capital assets	<u>533,075</u>	<u>1,441,245</u>
	32,374,635	29,298,988
Investment in Cass County Medical Clinics, Inc.	124,391	277,514
Other Noncurrent Assets	<u>794,547</u>	<u>768,812</u>
Total assets	<u>\$ 60,048,868</u>	<u>\$ 57,198,193</u>

The accompanying notes are an integral part of these statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	<u>2013</u>	<u>2012</u>
Current Liabilities:		
Current maturities of long-term debt	\$ 865,799	\$ 872,942
Accounts payable	1,745,422	1,586,575
Accrued employee compensation	1,759,893	1,748,870
Payroll taxes withheld and accrued	453,158	446,999
Accrued interest payable	141,276	144,452
Other current liabilities	225,000	225,000
Estimated third-party payor settlements	436,000	751,000
Deferred succeeding year property tax	<u>2,107,000</u>	<u>2,013,000</u>
Total current liabilities	7,733,548	7,788,838
Long-Term Debt:		
Capital lease obligations, less current maturities	--	197,305
Bonds payable, less current maturities	<u>22,150,000</u>	<u>22,830,000</u>
Total long-term debt	22,150,000	23,027,305
Total liabilities	29,883,548	30,816,143
Deferred Inflows of Resources:		
Deferred revenue	1,128,268	--
Net Position:		
Invested in capital assets, net of related debt	9,364,653	9,310,482
Restricted - expendable	2,521,516	2,136,899
Unrestricted	<u>17,150,883</u>	<u>14,934,669</u>
	29,037,052	26,382,050
Total liabilities, deferred inflows of resources, and net position	<u>\$ 60,048,868</u>	<u>\$ 57,198,193</u>

CASS COUNTY MEMORIAL HOSPITAL
Statements of Revenues, Expenses and Changes in Net Position
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Revenues:		
Net patient service revenue	\$ 32,671,156	\$ 30,210,436
Other revenue	<u>798,999</u>	<u>758,766</u>
Total revenue	33,470,155	30,969,202
Expenses:		
Nursing service	6,504,654	6,469,867
Other professional service	12,876,617	12,282,711
General service	2,568,146	2,391,221
Fiscal and administrative service	9,018,765	8,543,126
Provision for depreciation	<u>2,887,135</u>	<u>1,494,205</u>
Total expenses	<u>33,855,317</u>	<u>31,181,130</u>
Operating Loss	(385,162)	(211,928)
Non-Operating Revenues (Expenses):		
County taxes	2,121,802	1,963,859
Investment income	171,887	179,259
Federal interest subsidy	520,313	548,130
Medical office building rent, net	58,225	52,868
Southwest Iowa Mental Health Center services, net	97,032	(13,960)
Retail pharmacy income, net	1,276,984	471,990
Other rental income, net	30,051	66,395
Interest expense	(1,523,930)	(38,728)
Gain on disposal of assets	<u>19,050</u>	<u>39,470</u>
Non-operating revenue, net	<u>2,771,414</u>	<u>3,269,283</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions	2,386,252	3,057,355
Capital Grants and Contributions	<u>268,750</u>	<u>85,116</u>
Excess of Revenues Over Expenses and Increase in Net Position	2,655,002	3,142,471
Net Position Beginning of Year, as restated (Note R)	<u>26,382,050</u>	<u>23,239,579</u>
Net Position End of Year, as restated	<u>\$ 29,037,052</u>	<u>\$ 26,382,050</u>

The accompanying notes are an integral part of these statements.

CASS COUNTY MEMORIAL HOSPITAL
Statements of Cash Flows
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 33,535,680	\$ 29,096,422
Cash paid to suppliers	(16,643,505)	(15,139,968)
Cash paid to employees	(14,080,896)	(13,767,866)
Other revenue	<u>785,952</u>	<u>747,726</u>
Net cash provided by operating activities	3,597,231	936,314
Cash flows from noncapital financing activities:		
County tax revenue	2,121,802	1,963,859
Cash flows from capital and related financing activities:		
Capital expenditures	(5,767,294)	(14,924,751)
Capital grants and contributions	268,750	85,116
Proceeds from disposal of assets	19,050	53,779
Principal paid on long-term debt	(884,448)	(260,181)
Deferred construction settlement	361,268	--
Debt issue costs incurred	--	(62,873)
Interest paid	(1,732,000)	(1,746,621)
Federal interest subsidy received	<u>520,313</u>	<u>548,130</u>
Net cash used in capital and related financing activities	(7,214,361)	(16,307,401)
Cash flows from investing activities:		
Investment income	167,987	178,262
Investment in Cass County Medical Clinics, Inc.	(26,877)	(118,697)
Decrease in designated and restricted assets	3,045,128	14,353,875
Rental income, net	135,631	179,777
Southwest Iowa Mental Health Center services, net	28,439	39,526
Retail pharmacy income, net	1,276,984	471,990
Change in other noncurrent assets	<u>(40,344)</u>	<u>(150,899)</u>
Net cash provided by investing activities	4,586,948	14,953,834
Net increase in cash and cash equivalents	3,091,620	1,546,606
Cash and cash equivalents at beginning of year	<u>12,420,842</u>	<u>10,874,236</u>
Cash and cash equivalents at end of year	<u>\$ 15,512,462</u>	<u>\$ 12,420,842</u>

(continued next page)

CASS COUNTY MEMORIAL HOSPITAL
Statements of Cash Flows - Continued
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash in current assets	\$ 11,889,026	\$ 8,915,658
Cash and cash equivalents in designated and restricted assets	<u>3,623,436</u>	<u>3,505,184</u>
	<u>\$ 15,512,462</u>	<u>\$ 12,420,842</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$(385,162)	\$(211,928)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Provision for depreciation	2,887,135	1,494,205
Amortization	14,609	30,364
Write-off CCMC investment	180,000	180,000
Expense computer system project	4,734	71,418
Component of operating revenue reclassified for purposes of reporting cash flows		
Interest income on operating funds	(13,047)	(11,040)
Change in assets and liabilities		
Accounts receivable	412,524	(1,416,014)
Inventory	(138,021)	69,338
Prepaid expense	49,113	(28,779)
Accounts payable, trade	116,164	165,885
Accrued employee compensation	11,023	208,261
Payroll taxes withheld and accrued	6,159	82,604
Estimated third-party payor settlements	(315,000)	302,000
Deferred EHR incentive payments	767,000	--
Total adjustments	<u>3,982,393</u>	<u>1,148,242</u>
Net cash provided by operating activities	<u>\$ 3,597,231</u>	<u>\$ 936,314</u>

Non-Cash Transactions:

The Hospital also incurred the following non-cash transactions in addition to the transactions reflected in the reconciliation of operating loss to net cash provided by operating activities:

	<u>2013</u>	<u>2012</u>
Book value of equipment traded	<u>\$ 23,795</u>	<u>\$ --</u>
Equipment purchased through capital leases	<u>\$ --</u>	<u>\$ 100,273</u>

The accompanying notes are an integral part of these statements.

CASS COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

1. Reporting Entity

The organization is a county hospital with related healthcare ancillary and outpatient services. The Hospital is organized under Chapter 347 of the Code of Iowa, accordingly is a political subdivision of the State of Iowa, and is therefore exempt from federal and state income taxes. It is governed by a seven member board of trustees elected for six year terms. The Hospital has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The criteria for determining financial accountability include: appointing a majority of an organization's governing body, and (a) the Hospital's ability to impose its will on that organization, or (b) the potential for the organization to provide benefits to or impose financial burdens on the Hospital. The Hospital has two component units. Cass County Medical Clinics, Inc. (CCMC) is a component unit because three out of five board members are also board members of the Hospital, and the Cass County Memorial Hospital Foundation is a component unit because the Hospital is the sole beneficiary of the Foundation. The Hospital has elected to exclude the financial information of its component units from these financial statements.

Following is a summary of the approximate assets, liabilities, net assets, revenues, and expenses of the aggregate component units if they were discretely presented as of and for the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Assets	<u>\$ 2,001,000</u>	<u>\$ 1,411,000</u>
Liabilities	<u>\$ 1,312,000</u>	<u>\$ 721,000</u>
Net Assets	<u>\$ 689,000</u>	<u>\$ 690,000</u>
Revenues	<u>\$ 4,298,000</u>	<u>\$ 3,798,000</u>
Expenses	<u>\$ 4,299,000</u>	<u>\$ 3,773,000</u>

2. Enterprise Fund Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

CASS COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less, including designated and restricted assets.

5. Inventory Valuation

Inventory is valued at the lower of cost (first-in, first-out method) or market, except for general stores inventory which is valued at average cost.

6. Investments

Investments are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in non-operating revenue when earned, unless restricted by donor or law.

7. Capital Assets

The Hospital's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Capital assets with lives in excess of three years and cost in excess of \$5,000 are capitalized. These capital assets, other than land, are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using their estimated useful lives (fifteen to fifty years for buildings and land improvements and five to twenty years for equipment).

8. Costs of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Interest cost of \$204,894 was capitalized in 2013 (\$1,709,618 in 2012).

CASS COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

9. Compensated Absences

Hospital employees earn paid time off hours at varying rates depending on years of service. Paid time off consists of holiday, vacation and sick time and accumulates to a maximum of 552 hours for full-time employees and 276 for part-time employees. Any excess over the maximum hours accumulated by the employee's anniversary date is lost. The computed amount of paid time off benefits earned by year end is recorded as part of accrued employee compensation.

10. Operating Revenues and Expenses

The Hospital's statement of revenues, expenses and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Hospital's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

11. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

12. Property Tax Levy

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied. Property tax revenue is reported as non-operating revenue when collected by the County Treasurer.

CASS COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

13. Grants and Contributions

Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

14. Endowments

Endowments are provided to the Hospital on a voluntary basis by individuals and private organizations. *Permanent* endowments require that the principal or corpus of the endowment be retained in perpetuity. If a donor has not provided specific instructions, law permits the Board of Trustees to authorize for expenditure the net appreciation of the investments of endowment funds, as discussed in Note C.

15. Restricted Resources

Use of restricted or unrestricted resources for individual projects is determined by the Hospital Board of Trustees based on the facts regarding each specific situation.

16. Net Position

Net position of the Hospital is reported in the following three categories. *Invested in capital assets net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* consists of noncapital assets that must be used for a particular purpose or permanent endowments, as specified by creditors, grantors, or contributors external to the Hospital, including amounts deposited with trustees as required by revenue bond indentures, discussed in Note J. *Unrestricted net position* consists of the remaining net position that does not meet the definition of *invested in capital assets net of related debt or restricted*.

17. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Revenue from services to these patients is automatically recorded in the accounting system at the established rates, but the Hospital does not pursue collection of the amounts. The resulting adjustments are recorded as bad debts or charity service depending on the timing of the charity determination.

CASS COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

18. Accounting Changes

In June, 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*." This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards did not include guidance for these elements, which are distinct from assets and liabilities. This statement is effective for the Hospital for 2012-2013.

The GASB has issued GASB Statement No. 65 "*Items Previously Reported as Assets and Liabilities*" and GASB Statement No. 66 "*Technical Corrections - 2012*." No. 65 specifies proper accounting treatment for certain items and helps clarify the items that should be included under the categories established under Statement No. 63. No. 66 resolves conflicting guidance that resulted from previously issued Statements No. 54 and No. 62. The Hospital has elected to early implement these Statements, which are required to be implemented in the 2013-14 year.

NOTE B - THIRD-PARTY PAYOR ARRANGEMENTS

A summary of the payment arrangements with major third-party payors follows:

Medicare and Medicaid - Inpatient services and most outpatient services related to program beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for the cost of services at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediaries. The Hospital's Medicare cost reports have been audited and finalized by the fiscal intermediaries through June 30, 2011. The Medicaid cost reports have been audited through June 30, 2010. However, finalized cost reports are subject to re-opening by the intermediaries within three years of the date of finalization. Outpatient services not paid based on a cost reimbursement methodology are paid based on a prospectively determined fee schedule.

The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

CASS COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE C - ENDOWMENTS AND RESTRICTED ASSETS

Restricted expendable assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Construction project	\$ 1,092,157	\$ 5,099,716
Interest on Series 2010 Bonds	675,811	293,201
Principal on Series 2010 Bonds	<u>1,845,705</u>	<u>1,843,698</u>
	<u>\$ 3,613,673</u>	<u>\$ 7,236,615</u>

The Hospital has no restricted nonexpendable assets or endowments at June 30, 2013 or 2012.

Following is a summary of the use of temporarily restricted assets during the year ended June 30:

	<u>2013</u>	<u>2012</u>
Construction project	\$ 4,007,559	\$ 13,449,883
Interest on bonds	1,709,618	967,108
Principal on bonds	<u>670,000</u>	<u>--</u>
	<u>\$ 6,387,177</u>	<u>\$ 14,416,991</u>

NOTE D - DESIGNATED ASSETS

Of the \$17,150,883 (\$14,934,669 as of June 30, 2012) of unrestricted assets as of June 30, 2013, \$2,096,807 (\$1,383,794 for 2012) has been designated by the Hospital's Board of Trustees for purposes identified in the following schedule.

Designated assets remain under the control of the Board of Trustees, which may, at its discretion, later use the funds for other purposes.

	<u>2013</u>	<u>2012</u>
Capital acquisitions and payment of long-term debt	\$ 876,170	\$ 174,755
Operations	<u>1,220,637</u>	<u>1,209,039</u>
	<u>\$ 2,096,807</u>	<u>\$ 1,383,794</u>

CASS COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE E - DEPOSITS AND INVESTMENTS

The Hospital's deposits at June 30, 2013 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. Investments are stated as indicated in Note A.

The Hospital is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The composition of designated and restricted assets is as follows:

	<u>2013</u>	<u>2012</u>
Internally Designated Assets:		
Cash and cash equivalents	\$ 696,862	\$ 12,394
Certificates of deposit	1,219,946	1,207,298
Donated stock	179,308	162,361
Interest receivable	<u>691</u>	<u>1,741</u>
	<u>\$ 2,096,807</u>	<u>\$ 1,383,794</u>
Restricted Assets:		
Cash and cash equivalents	\$ 2,926,574	\$ 3,492,790
U.S. government securities	681,844	3,698,738
Accrued interest	<u>5,255</u>	<u>45,087</u>
	<u>\$ 3,613,673</u>	<u>\$ 7,236,615</u>

The Hospital's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Hospital.

NOTE F - FAIR VALUE MEASUREMENTS

The Hospital's investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

CASS COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE F - FAIR VALUE MEASUREMENTS - Continued

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs are unobservable and have the lowest priority. The Hospital uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. Level 1 inputs were available for all investments at June 30, 2013 and 2012.

Level 1 Fair Value Measurements

The fair value of the securities is based on quoted values of the shares held by the Hospital at year-end.

The following tables set forth, by level within the fair value hierarchy, the Hospital's investments at fair value as of June 30, 2013 and 2012:

		Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)
<u>June 30, 2013</u>	<u>Fair Value</u>	
Equity securities	\$ 179,308	\$ 179,308
U.S. government securities	<u>681,844</u>	<u>681,844</u>
	<u>\$ 861,152</u>	<u>\$ 861,152</u>
<u>June 30, 2012</u>		
Equity securities	\$ 162,361	\$ 162,361
U.S. government securities	<u>3,698,738</u>	<u>3,698,738</u>
	<u>\$ 3,861,099</u>	<u>\$ 3,861,099</u>

CASS COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE G - ACCOUNTS RECEIVABLE AND CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2013 and 2012, was as follows:

	<u>2013</u>	<u>2012</u>
Receivable from:		
Patients	\$ 2,627,932	\$ 3,341,632
Medicare	1,436,872	1,360,827
Medicaid	414,531	454,956
Blue Cross	864,904	714,305
Other commercial insurance carriers	365,056	521,924
Others	<u>420,656</u>	<u>326,925</u>
	6,129,951	6,720,569
Less allowances for doubtful accounts and contractual adjustments	<u>1,875,000</u>	<u>1,953,000</u>
	<u>\$ 4,254,951</u>	<u>\$ 4,767,569</u>

CASS COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE H - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended June 30, 2013 and 2012 were as follows:

<u>Cost</u>	<u>Balance 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2013</u>
Land Improvements	\$ 2,285,761	\$ 445,302	\$ --	\$ 2,731,063
Buildings	25,357,357	5,512,025	--	30,869,382
Building Services Equipment	4,427,721	50,691	--	4,478,412
Medical Office Building	4,890,191	--	--	4,890,191
Fixed Equipment	2,627,694	--	32,430	2,595,264
Major Movable Equipment	14,713,066	934,218	712,424	14,934,860
Rural Health Clinic Equipment	<u>438,506</u>	<u>--</u>	<u>--</u>	<u>438,506</u>
	54,740,296	6,942,236	744,854	60,937,678
<u>Depreciation</u>				
Land Improvements	1,823,070	76,726	--	1,899,796
Buildings	5,360,575	1,347,423	--	6,707,998
Building Services Equipment	3,668,811	128,814	--	3,797,625
Medical Office Building	2,691,715	150,219	--	2,841,934
Fixed Equipment	2,445,979	37,303	32,430	2,450,852
Major Movable Equipment	10,478,525	1,190,575	688,629	10,980,471
Rural Health Clinic Equipment	<u>413,878</u>	<u>3,564</u>	<u>--</u>	<u>417,442</u>
Total Depreciation	<u>26,882,553</u>	<u>2,934,624</u>	<u>721,059</u>	<u>29,096,118</u>
Depreciable Capital Assets, Net	<u>\$ 27,857,743</u>	<u>\$ 4,007,612</u>	<u>\$ 23,795</u>	<u>\$ 31,841,560</u>
Construction in Progress	\$ 986,722	\$ 4,270,385	\$ 5,256,812	\$ 295
Computer System Projects	18,960	245,315	167,058	97,217
Land	<u>435,563</u>	<u>--</u>	<u>--</u>	<u>435,563</u>
Non-Depreciable Capital Assets	<u>\$ 1,441,245</u>	<u>\$ 4,515,700</u>	<u>\$ 5,423,870</u>	<u>\$ 533,075</u>

CASS COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE H - CAPITAL ASSETS - Continued

<u>Cost</u>	<u>Balance 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2012</u>
Land Improvements	\$ 2,273,431	\$ 19,300	\$ 6,970	\$ 2,285,761
Buildings	7,172,536	18,184,821	--	25,357,357
Building Services Equipment	4,501,671	60,571	134,521	4,427,721
Medical Office Building	4,287,186	679,195	76,190	4,890,191
Fixed Equipment	2,620,605	36,604	29,515	2,627,694
Major Movable Equipment	12,252,365	2,493,764	33,063	14,713,066
Rural Health Clinic Equipment	<u>423,884</u>	<u>14,622</u>	<u>--</u>	<u>438,506</u>
	33,531,678	21,488,877	280,259	54,740,296
<u>Depreciation</u>				
Land Improvements	1,724,264	100,026	1,220	1,823,070
Buildings	5,047,079	313,496	--	5,360,575
Building Services Equipment	3,669,676	133,656	134,521	3,668,811
Medical Office Building	2,615,340	144,006	67,631	2,691,715
Fixed Equipment	2,429,078	46,416	29,515	2,445,979
Major Movable Equipment	9,704,643	806,945	33,063	10,478,525
Rural Health Clinic Equipment	<u>409,052</u>	<u>4,826</u>	<u>--</u>	<u>413,878</u>
Total Depreciation	<u>25,599,132</u>	<u>1,549,371</u>	<u>265,950</u>	<u>26,882,553</u>
Depreciable Capital Assets, Net	<u>\$ 7,932,546</u>	<u>\$ 19,939,506</u>	<u>\$ 14,309</u>	<u>\$ 27,857,743</u>
Construction in Progress	\$ 3,935,502	\$ 16,638,053	\$ 19,586,833	\$ 986,722
Computer System Projects	1,097,240	613,658	1,691,938	18,960
Land	<u>435,563</u>	<u>--</u>	<u>--</u>	<u>435,563</u>
Non-Depreciable Capital Assets	<u>\$ 5,468,305</u>	<u>\$ 17,251,711</u>	<u>\$ 21,278,771</u>	<u>\$ 1,441,245</u>

The Hospital rents a portion of the medical office building. Depreciation expense related to the rented space was \$47,489 for the year ended June 30, 2013 (\$55,166 for 2012).

CASS COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE I - LEASES

Assets recorded under capital leases consist of the following at June 30:

	<u>2013</u>	<u>2012</u>
Medical Equipment	\$ 1,178,790	\$ 1,773,463
Less: Accumulated Amortization	<u>971,497</u>	<u>1,383,864</u>
Net Book Value	<u>\$ 207,293</u>	<u>\$ 389,599</u>

NOTE J - NON-CURRENT LIABILITIES

A schedule of changes in the Hospital's non-current liabilities for the years ended June 30, 2013 and 2012 follows:

	<u>Balance 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2013</u>	<u>Current Portion</u>
Long-Term Debt:					
Bonds payable, Series 2010A	\$ 6,780,000	\$ --	\$ --	\$ 6,780,000	\$ --
Bonds payable, Series 2010B	<u>16,720,000</u>	<u>--</u>	<u>670,000</u>	<u>16,050,000</u>	<u>680,000</u>
Total Long-Term Debt	23,500,000	--	670,000	22,830,000	680,000
Capital Lease Obligations	<u>400,247</u>	<u>--</u>	<u>214,448</u>	<u>185,799</u>	<u>185,799</u>
Total Non-Current Liabilities	<u>\$ 23,900,247</u>	<u>\$ --</u>	<u>\$ 884,448</u>	<u>\$ 23,015,799</u>	<u>\$ 865,799</u>
	<u>Balance 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2012</u>	<u>Current Portion</u>
Long-Term Debt:					
Bonds payable, Series 2010A	\$ 6,780,000	\$ --	\$ --	\$ 6,780,000	\$ --
Bonds payable, Series 2010B	<u>16,720,000</u>	<u>--</u>	<u>--</u>	<u>16,720,000</u>	<u>670,000</u>
Total Long-Term Debt	23,500,000	--	--	23,500,000	670,000
Capital Lease Obligations	<u>560,155</u>	<u>100,273</u>	<u>260,181</u>	<u>400,247</u>	<u>202,942</u>
Total Non-Current Liabilities	<u>\$ 24,060,155</u>	<u>\$ 100,273</u>	<u>\$ 260,181</u>	<u>\$ 23,900,247</u>	<u>\$ 872,942</u>

CASS COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE J - NON-CURRENT LIABILITIES - Continued

Bonds Payable

The Hospital issued \$6,780,000 of Hospital Revenue Bonds, Series 2010A in December, 2010, to pay for the costs of expansion and renovation of the Hospital. The bonds are payable from the revenues of the Hospital. A lump sum payment of \$6,780,000 is due June 1, 2035. The interest rate is 7.25% and is due semi-annually.

The Hospital issued \$16,720,000 of Hospital Revenue Bonds, Series 2010B in December, 2010, to pay for the costs of the expansion and renovation of the Hospital. The bonds are payable from the revenues of the Hospital. The bonds mature in annual installments beginning in June, 2013, through June, 2026, and installments due June, 2028 and June, 2033, with an interest rate of 2.6% - 10.0%. The Hospital is eligible to receive a 45% subsidy of interest paid from the Federal Government each year.

The annual debt service on the bonds is expected to require less than 36% of cash flow available for debt service. For the current year, debt service and cash flow available for debt service were approximately \$2,617,000 and \$7,289,000 respectively.

Under the terms of the bonds, the Hospital is required to maintain certain deposits with a bank. Such deposits are included with restricted assets in the financial statements. The bonds also place limits on the incurrence of additional borrowings and require that the Hospital satisfy certain measures of financial performance as long as the bonds are outstanding.

Capital Leases

The Hospital has entered into three capital leases for the purchase of equipment. The leases carry interest rates of 6.93% to 20.34%. The leases mature from August, 2013 to January, 2014.

Scheduled principal and interest repayments on long-term debt and payments on capital lease obligations are as follows:

Year ending June 30,	Long-Term Debt		Capital Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 680,000	\$ 1,692,198	\$ 185,799	\$ 3,861	\$ 865,799	\$ 1,696,059
2015	695,000	1,670,437	--	--	695,000	1,670,437
2016	710,000	1,642,638	--	--	710,000	1,642,638
2017	730,000	1,608,912	--	--	730,000	1,608,912
2018	750,000	1,569,858	--	--	750,000	1,569,858
2019-2023	4,160,000	7,103,112	--	--	4,160,000	7,103,112
2024-2028	4,585,000	5,502,348	--	--	4,585,000	5,502,348
2029-2033	3,740,000	4,327,750	--	--	3,740,000	4,327,750
2034-2035	6,780,000	983,100	--	--	6,780,000	983,100
	<u>\$ 22,830,000</u>	<u>\$ 26,100,353</u>	<u>\$ 185,799</u>	<u>\$ 3,861</u>	<u>\$ 23,015,799</u>	<u>\$ 26,104,214</u>

CASS COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE K - DEFERRED INFLOWS OF RESOURCES

The deferred inflows of resources include electronic health records (EHR) incentive payments and construction settlement proceeds. The EHR revenue will be recognized over four years, as the related equipment is depreciated. The construction settlement proceeds will be used for reconstructing portions of the newly constructed patient rooms. Amounts deferred and sources are listed below:

	<u>2013</u>	<u>2012</u>
Electronic health records incentive	\$ 767,000	\$ --
Construction settlement	<u>361,268</u>	<u>--</u>
	<u>\$ 1,128,268</u>	<u>\$ --</u>

NOTE L - PENSION AND RETIREMENT BENEFITS

The Hospital contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% (5.95% beginning July 1, 2013) of their annual salary and the Hospital is required to contribute 8.67% (8.93% beginning July 1, 2013) of annual covered payroll. Contribution requirements are established by State statute. The Hospital's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011, were approximately \$1,245,400, \$1,176,400, and \$1,008,600, respectively, equal to the required contributions for each year.

NOTE M - DEFERRED COMPENSATION PLAN

The Hospital offers its employees a deferred compensation plan as allowed by Internal Revenue Code Section 457. The plan allows Hospital employees to defer a portion of their current salary until future years. The Hospital matches a portion of employee contributions to the employees' accounts. The Hospital's contribution expense totaled approximately \$227,500 and \$220,600 for the years ended June 30, 2013 and 2012, respectively. The Hospital's accounting and personnel departments are responsible for the accounting, reconciliations and record keeping associated with employees' enrollment, payments to the plan through payroll deductions, and timely transfer of withheld funds to the independent contractor for investment. The plan is designed so that each participant retains investment control of his/her individual account. The employees become eligible to withdraw funds upon termination, retirement, death or unforeseeable emergency.

CASS COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE M - DEFERRED COMPENSATION PLAN - Continued

The Hospital's fiduciary responsibility is limited to due care in selecting contractors to administer the Plan. These contractors are responsible for withholdings and W-2s when the participants receive payments. The contractors are also required to submit an annual report to the Hospital. The Hospital is liable to a participant only for income lost because of its failure to send payment of a deferred amount as directed by the participant.

The market value of the exclusive benefit plan assets at June 30, 2013 was approximately \$10,886,000 (\$9,958,000 at June 30, 2012). This amount is not included in the financial statements since the Hospital does not own or hold in a trustee capacity the amounts deferred by employees and related income on those amounts.

NOTE N - RELATED PARTIES

Southwest Iowa Mental Health Center

The Hospital has entered into a sharing agreement with Southwest Iowa Mental Health Center, pursuant to Chapter 28E of the Iowa Code, to deliver mental health services in the area. Under the agreement, all non-physician personnel became employees of the Hospital. The Mental Health Center agreed to purchase all non-physician services necessary for the Center's operations from the Hospital. Tax funds collected by the Hospital for a portion of the cost of the Center's non-physician personnel result in credits being passed through to the Center. The Hospital agreed to purchase all mental health physician services necessary for its inpatient operation from the Center.

The Hospital has agreed to provide operating capital and fund operating deficits of the Center. During the year ended June 30, 2013, the Hospital provided \$50,000 (\$50,000 in 2012) of operating capital. The Center had net income in 2013 of \$18,593 (loss of \$103,486 in 2012) without the Hospital's funding.

Below is a summary of the activity and amounts due under the agreement with the Mental Health Center as of June 30:

	<u>2013</u>	<u>2012</u>
Hospital expense to Mental Health Center for physicians	\$ <u>309,861</u>	\$ <u>287,853</u>
Support and net deficit funding from Hospital to Mental Health Center	\$ <u>113,388</u>	\$ <u>203,421</u>
Hospital revenue for Mental Health Center personnel costs and insurance	\$ <u>1,257,836</u>	\$ <u>1,102,641</u>
Owed to Hospital by the Mental Health Center	\$ <u>826,735</u>	\$ <u>646,569</u>

CASS COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE N - RELATED PARTIES - Continued

The financial arrangements for the 2013-2014 year are based on the budgeted needs of each entity. The Hospital has agreed to pay the Mental Health Center approximately \$396,000, which includes financial support and payment for physician services. The Center agreed to pay the Hospital approximately \$1,227,000 for non-physician services. Future financial arrangements will be determined annually based on a review of actual operations and needs.

Health Partners of Southwest Iowa

The Hospital has joined with two other area hospitals (Myrtue Medical Center of Harlan and Montgomery County Memorial Hospital of Red Oak) to form a 28E organization, Health Partners of Southwest Iowa (HPSI). The organization was formed to share ideas, capital, and resources and to assist in the containment of healthcare costs, while improving the quality of healthcare being delivered in the member hospital service areas. Each of the three members purchase mobile scanning and other services from the organization.

Below is a summary of the Hospital's transactions with HPSI and year end balances involving the 28E organization:

	<u>2013</u>	<u>2012</u>
Services purchased from HPSI	\$ <u>109,436</u>	\$ <u>109,077</u>
Services and supplies provided to HPSI	\$ <u>173,759</u>	\$ <u>150,528</u>
Amount due from HPSI	\$ <u>190,484</u>	\$ <u>126,161</u>
Member share of net assets	\$ <u>452,158</u>	\$ <u>427,814</u>

The member share of net assets is included in other noncurrent assets and the amount due from HPSI is included in other receivables on the balance sheet. The Hospital has no ongoing financial interest in or responsibility to HPSI, other than that disclosed above. Financial statements of HPSI will be on file at the Hospital and the Office of the State Auditor.

Cass County Memorial Hospital Foundation

Cass County Memorial Hospital Foundation is a separate not-for-profit organization with an independent board of directors. The Hospital is the sole beneficiary of the Foundation. During the year ended June 30, 2013, contributions received from this organization were approximately \$227,000 (\$49,000 for 2012).

CASS COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE O - CASS COUNTY MEDICAL CLINICS

The Hospital and local physicians developed a not-for-profit corporation, Cass County Medical Clinics, Inc. (CCMC), to operate three local medical practices (Atlantic Medical Center, Eye Associates and Southwest Iowa Surgery). CCMC leases medical office space, and purchases medical services and supplies from the Hospital. CCMC also purchases health insurance coverage through the Hospital's self-funded group health insurance plan. The Hospital provided start up and operating capital to CCMC over several years, for the benefit of the community. During the year ended June 30, 2013, the Hospital recorded an allowance of \$180,000 against the advances (\$180,000 for 2012). The operations of CCMC are managed by the Hospital and physicians. The Hospital has pledged to support CCMC as may be necessary in the future.

The Hospital contracts with the physicians of CCMC-Atlantic Medical Center for the operation of its four rural health clinics. In addition, the Hospital began to purchase emergency room physician coverage during fiscal year 2013. The Hospital purchases the physician services based on a budgeted amount, set prior to the start of each year. After the completion of the year, an analysis is prepared to determine any net settlement.

Transactions between the Hospital and CCMC are listed below:

	<u>2013</u>	<u>2012</u>
<u>CCMC purchases from Hospital</u>		
Rent of medical office space	\$ 65,274	\$ 65,274
Medical services, insurance, and other expenses	89,534	107,699
Health insurance	<u>238,290</u>	<u>221,989</u>
	<u>\$ 393,098</u>	<u>\$ 394,962</u>
<u>Hospital purchases from CCMC</u>		
Physician clinic services	\$ 2,240,000	\$ 1,965,000
Physician emergency room services	<u>343,172</u>	<u>--</u>
	<u>\$ 2,583,172</u>	<u>\$ 1,965,000</u>

Following is a schedule of the investment in CCMC as of June 30:

	<u>2013</u>	<u>2012</u>
Purchases of physician practices	\$ 84,944	\$ 84,944
Advances of operating capital, and unpaid rent and insurance	<u>39,447</u>	<u>192,570</u>
	<u>\$ 124,391</u>	<u>\$ 277,514</u>

CASS COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE P - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: As required by state law, the Hospital offers health insurance to former employees who have retired after age 55, but have not reached Medicare eligibility. The fully insured plan is a part of the plan offered to all Hospital employees, and the retirees must pay the full cost of the health insurance premium equal to that charged for current employees. There are 233 active employees and 3 retirees currently covered by the health insurance plan.

Funding Policy: The Hospital does not set aside funds to pay for any OPEB liability. Any Hospital costs of an implicit health insurance premium rate subsidy are charged to expense in the year paid.

Net OPEB Obligation: Management of the Hospital considers any OPEB obligation, which may exist, to be immaterial. Therefore the Hospital has elected to not obtain an actuarial evaluation of the OPEB liability.

Generally accepted accounting principles, established under GASB Statement No. 45, require that an actuarial or alternative computation of a liability be completed. The independent auditor's report regarding the financial statements has been qualified as a result of not obtaining the required evaluation and not recording any potential material OPEB liability.

NOTE Q - COMMITMENTS AND CONTINGENCIES

Self-Funded Health Insurance

The Hospital has established an employee health insurance program. Under the self-insured plan, the Hospital pays claims up to maximum limits and carries stop loss insurance for claims in excess of the limits. The estimated amount of unpaid claims at June 30, 2013 is \$225,000 (\$225,000 at June 30, 2012), which is reported in other current liabilities.

Construction in Progress

Subsequent to June 30, 2013, the Hospital began a remodeling project to prepare a space for MRI and furniture with a total estimated cost of \$2,080,000. The cost of the project will be financed with internally generated assets. The MRI machine will be leased on a per scan basis.

Computer System Project and Equipment

As of June 30, 2013, the Hospital incurred fees of \$97,217 for various computer hardware and software applications, and equipment that had not been completed and placed in service. The estimated cost to complete the items is \$69,000.

Notes Receivable

Reported as part of other noncurrent assets on the balance sheets are notes receivable with a balance of \$120,073 as of June 30, 2013 (\$118,097 as of June 30, 2012). The notes receivable represent funds advanced under agreements with physicians who have begun to practice in the community. The agreements include commitments by the physicians to provide medical services in the community for a specified period of years. In exchange for the commitments of time and services, the Hospital will forgive the notes over the terms of the commitments.

CASS COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2013 and 2012

NOTE Q - COMMITMENTS AND CONTINGENCIES - Continued

Risk Management

The Hospital is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Management believes that the malpractice insurance coverage is adequate to cover all asserted and any unasserted claims, therefore no related liability has been accrued. Cass County Memorial Hospital is exposed to various other common business risks for which it is covered by commercial insurance. Settled claims from these risks have not exceeded insurance coverage during the past three years.

Subsequent Events

The Hospital has evaluated all subsequent events through October 15, 2013, the date the financial statements were available to be issued.

NOTE R - ACCOUNTING CHANGE

During 2013, the Hospital elected to early implement GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities." For the year ended June 30, 2011, the Hospital incurred \$481,387 of debt issue costs. The Hospital recorded the costs as an asset to be amortized over the life of the loan. Under provisions of GASB Statement No. 65, debt issue costs are to be expensed in the year incurred. The change will be made by reducing net position as of the beginning of the 2011-12 year and expenses for the 2011-12 year. The following is a summary of the effect of the change on the individual items in the financial statements for the year ended June 30:

	2012		
	Previous	Change	Current
Debt Issue Costs	\$ 460,033	\$(460,033)	\$ --
Revenues	\$ 30,969,202	\$ --	\$ 30,969,202
Expenses	31,202,484	(21,354)	31,181,130
Operating Income (Loss)	(233,282)	21,354	(211,928)
Non-Operating Revenue	3,269,283	--	3,269,283
Capital Grants	85,116	--	85,116
Excess of Revenues Over Expenses and Increase in Net Position	3,121,117	21,354	3,142,471
Net Position Beginning of Year	23,720,966	(481,387)	23,239,579
Net Position End of Year	\$ 26,842,083	\$(460,033)	\$ 26,382,050

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REQUIRED SUPPLEMENTARY INFORMATION

CASS COUNTY MEMORIAL HOSPITAL
Budgetary Comparison Schedule
Year Ended June 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Auditing Standards. In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and hearings. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The following is a reconciliation between reported amounts and the modified accrual basis used to prepare the budget. The adjustments result from accounting for interest, plant and equipment purchases, and net assets differently for financial statement and budget purposes.

	Per Financial Statements		
	Unrestricted Fund	Restricted Fund	Total
Amount raised by taxation	\$ 2,121,802	\$ --	\$ 2,121,802
Other revenues	34,388,517	--	34,388,517
Transfers in (out), net	(384,617)	384,617	--
	<u>36,125,702</u>	<u>384,617</u>	<u>36,510,319</u>
Expenses	<u>33,855,317</u>	<u>--</u>	<u>33,855,317</u>
Net	2,270,385	384,617	2,655,002
Balance beginning of year	<u>24,245,151</u>	<u>2,136,899</u>	<u>26,382,050</u>
Balance end of year	<u>\$ 26,515,536</u>	<u>\$ 2,521,516</u>	<u>\$ 29,037,052</u>

	Total Per Financial Statements	Budget Adjustments	Budget Basis	Adopted Budget
Amount raised by taxation	\$ 2,121,802	\$ --	\$ 2,121,802	\$ 2,013,417
Other revenues	<u>34,388,517</u>	<u>1,523,930</u>	<u>35,912,447</u>	<u>36,062,898</u>
	<u>36,510,319</u>	<u>1,523,930</u>	<u>38,034,249</u>	<u>38,076,315</u>
Expenses	<u>33,855,317</u>	<u>7,496,118</u>	<u>41,351,435</u>	<u>42,601,457</u>
Net	2,655,002	(5,972,188)	(3,317,186)	(4,525,142)
Balance beginning of year	<u>26,382,050</u>	<u>(8,747,176)</u>	<u>17,634,874</u>	<u>17,634,874</u>
Balance end of year	<u>\$ 29,037,052</u>	<u>\$(14,719,364)</u>	<u>\$ 14,317,688</u>	<u>\$ 13,109,732</u>

See Independent Auditor's Report.

SUPPLEMENTARY INFORMATION

CASS COUNTY MEMORIAL HOSPITAL
Patient Receivables
June 30,

Analysis of Aging:

<u>Days Since Discharge</u>	<u>2013</u>		<u>2012</u>	
	<u>Amount</u>	<u>Percent to Total</u>	<u>Amount</u>	<u>Percent to Total</u>
0 - 30	\$ 1,959,271	32.0%	\$ 1,434,592	21.4%
31 - 60	639,344	10.4	1,140,301	17.0
61 - 90	432,294	7.0	411,439	6.1
91 - 120	310,586	5.1	295,501	4.4
121 and over	812,366	13.3	667,409	9.9
	<u>4,153,861</u>	<u>67.8</u>	<u>3,949,242</u>	<u>58.8</u>
In hospital	<u>1,043,336</u>	<u>17.0</u>	<u>1,856,563</u>	<u>27.6</u>
Total hospital	<u>5,197,197</u>	<u>84.8</u>	<u>5,805,805</u>	<u>86.4</u>
Rural Health Clinic	<u>932,754</u>	<u>15.2</u>	<u>914,764</u>	<u>13.6</u>
	<u>6,129,951</u>	<u>100.0%</u>	<u>6,720,569</u>	<u>100.0%</u>

Less:

Allowance for doubtful accounts - hospital	450,000	327,000
Allowance for doubtful accounts - RHC	320,000	320,000
Allowance for contractual adjustments - hospital	<u>1,105,000</u>	<u>1,306,000</u>
	<u>\$ 4,254,951</u>	<u>\$ 4,767,569</u>

Hospital Allowance for Doubtful Accounts:

	<u>Year ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Balance, beginning	\$ 327,000	\$ 453,000
Provision for bad debts	2,733,410	2,442,013
Recoveries of accounts previously written off	<u>420,640</u>	<u>370,578</u>
	<u>3,481,050</u>	<u>3,265,591</u>
Accounts written off	<u>3,031,050</u>	<u>2,938,591</u>
Balance, ending	<u>\$ 450,000</u>	<u>\$ 327,000</u>

See Independent Auditor's Report.

CASS COUNTY MEMORIAL HOSPITAL
Other Receivables/Inventory/Prepaid Expense
June 30,

	<u>2013</u>	<u>2012</u>
<u>Other Receivables</u>		
Shared services	\$ 124,191	\$ 63,143
Health Partners of Southwest Iowa	190,484	126,161
Lifeline	41,344	19,925
Southwest Iowa Mental Health Center	826,735	646,569
Other	<u>520,632</u>	<u>678,901</u>
	<u>\$ 1,703,386</u>	<u>\$ 1,534,699</u>
 <u>Inventory</u>		
General stores	\$ 59,543	\$ 48,012
Pharmacy	419,754	299,164
Laboratory	78,689	74,208
Rural Health Clinic	15,000	15,000
Dietary	7,211	6,399
Fuel oil	<u>8,719</u>	<u>8,112</u>
	<u>\$ 588,916</u>	<u>\$ 450,895</u>
 <u>Prepaid Expense</u>		
Dues	\$ 17,280	\$ 18,144
Insurance	45,150	63,717
Maintenance agreements and other	<u>439,106</u>	<u>468,788</u>
	<u>\$ 501,536</u>	<u>\$ 550,649</u>

See Independent Auditor's Report.

CASS COUNTY MEMORIAL HOSPITAL
Patient Service Revenue
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Daily Patient Services:		
Medical and surgical	\$ 1,678,051	\$ 1,872,896
Obstetric	263,840	214,071
Intensive care	548,344	625,303
Nursery	154,688	126,672
Psychiatric services	<u>1,934,654</u>	<u>2,011,144</u>
	4,579,577	4,850,086
Other Nursing Services:		
Operating room	5,089,011	4,037,379
Recovery room	729,498	568,561
Delivery and labor rooms	261,572	238,283
Central services and supply	2,750,064	2,839,639
Intravenous therapy	277,024	307,053
Emergency service	2,291,182	1,762,639
Oncology service	248,343	293,538
Enterstomal therapy	<u>95,221</u>	<u>131,317</u>
	11,741,915	10,178,409
Other Professional Services:		
Emergency room physicians	1,266,267	1,218,574
Laboratory	6,767,459	6,512,487
Blood bank	104,821	89,449
Electrocardiology	204,039	204,757
Cardiac stress testing	126,035	110,472
Ambulatory electrocardiology	135,975	109,935
Radiology	2,254,269	2,265,893
CT scanning	3,012,946	2,808,819
MRI scanning	1,321,047	1,357,462
Nuclear medicine and ultrasound	1,381,956	1,326,136
Pharmacy	5,318,489	4,554,247
Anesthesia	1,811,680	1,480,157
Respiratory care	1,282,193	1,240,222
Physical therapy	1,342,386	1,340,905
Speech therapy	172,452	180,615
Occupational therapy	295,012	319,927
Cardiac rehabilitation	217,888	192,773
Diabetic center	66,256	53,028
Sleep study	225,888	172,370
Rural Health Clinics	<u>6,792,867</u>	<u>6,225,863</u>
	34,099,925	31,764,091
	<u>\$ 50,421,417</u>	<u>\$ 46,792,586</u>

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CASS COUNTY MEMORIAL HOSPITAL
Patient Service Revenue - Continued
Year ended June 30,

	<u>2013</u>	<u>2012</u>
SUMMARY		
Inpatient	\$ 6,167,190	\$ 5,807,177
Swing Bed	1,731,735	2,452,639
Psychiatric Services	2,189,593	2,317,844
Outpatient	33,540,032	29,989,063
Rural Health Clinics	<u>6,792,867</u>	<u>6,225,863</u>
	<u>\$ 50,421,417</u>	<u>\$ 46,792,586</u>

See Independent Auditor's Report.

CASS COUNTY MEMORIAL HOSPITAL
Revenue and Related Adjustments
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Net Patient Service Revenue:		
Patient service revenue	\$ 50,421,417	\$ 46,792,586
Contractual adjustments - hospital	(13,840,833)	(12,929,823)
Provision for bad debts - hospital	(2,733,410)	(2,442,013)
Provision for contractual adjustment and bad debts - RHC	(722,831)	(969,192)
Uncompensated care	<u>(453,187)</u>	<u>(241,122)</u>
	<u>\$ 32,671,156</u>	<u>\$ 30,210,436</u>
Other Revenue:		
Interest income on operating funds	\$ 13,047	\$ 11,040
Meals sold to employees and guests	180,309	202,227
Meals on wheels	59,672	50,477
Visiting physician clinic rent	218,257	198,618
Operating grants	139,376	172,911
Medical record transcripts	1,738	1,517
VHA participation	56,361	6,163
Biomedical service	27,526	31,986
Nursing education	3,890	5,040
Other	<u>98,823</u>	<u>78,787</u>
	<u>\$ 798,999</u>	<u>\$ 758,766</u>

See Independent Auditor's Report.

CASS COUNTY MEMORIAL HOSPITAL
Nursing Service Expenses
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Nursing Administration:		
Salaries and wages	\$ 174,000	\$ 172,607
Supplies and other expense	<u>3,430</u>	<u>4,075</u>
	177,430	176,682
In-Service Training:		
Salaries and wages	73,931	69,964
Supplies and other expense	<u>36,788</u>	<u>37,770</u>
	110,719	107,734
Quality Assurance:		
Salaries and wages	222,421	194,512
Supplies and other expense	<u>109,867</u>	<u>20,103</u>
	332,288	214,615
Nursing Supervision:		
Salaries and wages	267,168	271,862
Supplies and other expense	<u>119</u>	<u>11</u>
	267,287	271,873
Medical and Surgical:		
Salaries and wages	1,099,656	1,075,790
Supplies and other expense	<u>72,090</u>	<u>69,958</u>
	1,171,746	1,145,748
Psychiatric Services:		
Salaries and wages	835,658	857,462
Professional fees	309,861	287,853
Supplies and other expense	<u>19,490</u>	<u>14,219</u>
	1,165,009	1,159,534
Intensive Care:		
Salaries and wages	380,633	455,061
Supplies and other expense	<u>4,209</u>	<u>15,798</u>
	384,842	470,859
Obstetric:		
Salaries and wages	298,802	325,083
Supplies and other expense	<u>46,814</u>	<u>20,857</u>
	345,616	345,940
Nursery:		
Salaries and wages	155,765	156,798

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CASS COUNTY MEMORIAL HOSPITAL
Nursing Service Expenses - Continued
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Operating Room:		
Salaries and wages	\$ 505,241	\$ 507,263
Professional fees	48,784	21,345
Supplies and other expense	<u>155,034</u>	<u>157,047</u>
	709,059	685,655
Recovery Room:		
Salaries and wages	48,823	51,345
Supplies and other expense	<u>523</u>	<u>--</u>
	49,346	51,345
Delivery and Labor Rooms:		
Salaries and wages	68,405	68,857
Central Services and Supply:		
Salaries and wages	33,309	49,120
Supplies sold to patients	555,914	551,766
Supplies and other expense	<u>8,065</u>	<u>16,517</u>
	597,288	617,403
Intravenous Therapy:		
Solutions	9,355	9,442
Supplies and other expense	<u>63,872</u>	<u>69,967</u>
	73,227	79,409
Emergency Room:		
Salaries and wages	358,508	432,109
Supplies and other expense	<u>42,393</u>	<u>35,216</u>
	400,901	467,325
Outpatient Clinics:		
Salaries and wages	457,852	410,431
Supplies and other expense	<u>37,874</u>	<u>39,659</u>
	495,726	450,090
	<u>\$ 6,504,654</u>	<u>\$ 6,469,867</u>

See Independent Auditor's Report.

CASS COUNTY MEMORIAL HOSPITAL
Other Professional Service Expenses
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Emergency Room Physicians:		
Salaries and wages	\$ 214,681	\$ 272,856
Professional fees	<u>542,229</u>	<u>320,080</u>
	756,910	592,936
Laboratory:		
Salaries and wages	763,538	744,238
Professional fees	405,404	372,698
Supplies and other expense	345,125	280,924
Cost of chemistry reagents	<u>348,943</u>	<u>311,311</u>
	1,863,010	1,709,171
Blood Bank:		
Cost of blood	124,184	126,049
Electrocardiology:		
Salaries and wages	9,603	9,431
Cardiac Stress Testing:		
Salaries and wages	5,600	4,763
Professional fees	560	672
Supplies and other expense	<u>947</u>	<u>2,339</u>
	7,107	7,774
Ambulatory Electrocardiology:		
Salaries and wages	10,143	8,691
Purchased services	8,080	7,050
Supplies and other expense	<u>308</u>	<u>331</u>
	18,531	16,072
Radiology:		
Salaries and wages	346,299	339,289
Professional fees	5,135	5,581
Cost of film	552	1,206
Supplies and other expense	<u>217,905</u>	<u>221,026</u>
	569,891	567,102
CT and MRI Scanning:		
Salaries and wages	78,373	78,274
Purchased services	151,538	157,179
Supplies and other expense	<u>128,740</u>	<u>134,391</u>
	358,651	369,844

(continued next page)

CASS COUNTY MEMORIAL HOSPITAL
Other Professional Service Expenses - Continued
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Nuclear Medicine and Ultrasound:		
Salaries and wages	\$ 104,113	\$ 91,444
Purchased services	123,792	110,934
Supplies and other expense	<u>49,437</u>	<u>24,892</u>
	277,342	227,270
Pharmacy:		
Salaries and wages	589,861	576,333
Drugs	958,148	1,301,821
Supplies and other expense	<u>158,456</u>	<u>68,263</u>
	1,706,465	1,946,417
Anesthesia:		
Professional fees	628,411	603,493
Supplies and other expense	<u>14,390</u>	<u>18,369</u>
	642,801	621,862
Respiratory Care:		
Salaries and wages	225,351	211,670
Oxygen	20,544	21,048
Supplies and other expense	<u>7,305</u>	<u>9,230</u>
	253,200	241,948
Physical Therapy:		
Salaries and wages	349,578	337,537
Professional fees	16,518	12,870
Supplies and other expense	<u>57,446</u>	<u>11,353</u>
	423,542	361,760
Occupational Therapy:		
Salaries and wages	109,955	105,456
Supplies and other expense	<u>13,951</u>	<u>10,458</u>
	123,906	115,914
Speech Therapy:		
Salaries and wages	50,045	56,938
Professional fees	--	2,968
Supplies and other expense	<u>2,623</u>	<u>1,721</u>
	52,668	61,627

(continued next page)

CASS COUNTY MEMORIAL HOSPITAL
Other Professional Service Expenses - Continued
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Cardiac Rehabilitation:		
Salaries and wages	\$ 145,880	\$ 150,112
Supplies and other expense	<u>9,842</u>	<u>12,415</u>
	155,722	162,527
Diabetic Center:		
Salaries and wages	111,292	106,276
Supplies and other expense	<u>13,198</u>	<u>2,286</u>
	124,490	108,562
Medical Records:		
Salaries and wages	351,780	351,044
Supplies and other expense	57,612	39,286
Microfilming services purchased	<u>2,146</u>	<u>45,830</u>
	411,538	436,160
Medical Education - Community Orientation Program:		
Supplies and other expense	4,292	5,920
Utilization Review:		
Salaries and wages	167,803	193,280
Supplies and other expense	<u>21,535</u>	<u>22,260</u>
	189,338	215,540
Sleep Studies:		
Purchased services	71,000	77,125
Supplies and other expense	<u>1</u>	<u>--</u>
	71,001	77,125

(continued next page)

CASS COUNTY MEMORIAL HOSPITAL
Other Professional Service Expenses - Continued
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Rural Health Clinic - Atlantic:		
Salaries and wages	\$ 1,838,657	\$ 1,678,881
Professional fees	2,128,404	1,891,973
Purchased services	50,226	97,471
Facility costs	46,510	48,061
Supplies and other expense	<u>241,337</u>	<u>233,702</u>
	4,305,134	3,950,088
Rural Health Clinic - Anita:		
Salaries and wages	81,063	75,940
Professional fees	29,826	30,024
Facility costs	20,621	19,763
Supplies and other expense	<u>9,237</u>	<u>9,828</u>
	140,747	135,555
Rural Health Clinic - Massena:		
Salaries and wages	56,622	49,673
Professional fees	42,053	28,118
Facility costs	5,788	6,123
Supplies and other expense	<u>15,307</u>	<u>12,377</u>
	119,770	96,291
Rural Health Clinic - Griswold:		
Salaries and wages	67,644	54,670
Professional fees	62,885	36,635
Facility costs	21,134	18,892
Supplies and other expense	<u>15,111</u>	<u>9,569</u>
	166,774	119,766
	<u>\$ 12,876,617</u>	<u>\$ 12,282,711</u>

See Independent Auditor's Report.

CASS COUNTY MEMORIAL HOSPITAL
General Service Expenses
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Dietary:		
Salaries and wages	\$ 435,420	\$ 430,106
Food	233,053	221,312
Supplies and other expense	<u>56,115</u>	<u>48,584</u>
	724,588	700,002
Operation of Plant:		
Salaries and wages	379,821	354,562
Electricity	169,805	150,684
Natural gas and fuel oil	96,843	83,052
Water	45,225	38,222
Supplies and other expense	<u>274,865</u>	<u>218,480</u>
	966,559	845,000
Clinical Equipment:		
Contracted services	99,120	97,979
Supplies and other expense	<u>4,083</u>	<u>5,007</u>
	103,203	102,986
Housekeeping:		
Salaries and wages	375,993	350,389
Contracted management services	212,765	218,376
Supplies and other expense	<u>58,075</u>	<u>55,818</u>
	646,833	624,583
Laundry and Linen:		
Salaries and wages	37,654	34,846
Contracted management services	22,218	21,971
Supplies and other expense	65,680	60,390
Linens	<u>1,411</u>	<u>1,443</u>
	126,963	118,650
	<u>\$ 2,568,146</u>	<u>\$ 2,391,221</u>

See Independent Auditor's Report.

CASS COUNTY MEMORIAL HOSPITAL
Fiscal and Administrative Service Expenses
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Administrative Services:		
Salaries and wages	\$ 294,762	\$ 275,420
Dues and subscriptions	44,264	41,348
Legal publications and advertising	11,016	10,078
Consulting fees	173,447	137,239
Physician recruiting	232,578	206,061
Supplies and other expense	<u>178,218</u>	<u>194,103</u>
	934,285	864,249
Fiscal Services:		
Salaries and wages	356,077	349,515
Telephone	38,961	34,651
Freight and postage	13,697	16,590
Professional fees	44,965	39,970
Supplies and other expense	<u>142,870</u>	<u>111,192</u>
	596,570	551,918
Admissions:		
Salaries and wages	294,952	272,212
Supplies and other expense	<u>9,008</u>	<u>12,390</u>
	303,960	284,602
Credit and Collections:		
Salaries and wages	177,699	172,217
Supplies and other expense	82,218	86,609
Collection expense	<u>118,230</u>	<u>112,560</u>
	378,147	371,386
Information Systems:		
Salaries and wages	628,157	705,270
Professional fees	--	832
Supplies and other expense	<u>422,072</u>	<u>429,030</u>
	1,050,229	1,135,132
Human Resources:		
Salaries and wages	209,790	203,248
Supplies and other expense	<u>116,319</u>	<u>74,447</u>
	326,109	277,695
Public Relations:		
Salaries and wages	66,784	58,998
Supplies and other expense	<u>95,811</u>	<u>86,917</u>
	162,595	145,915
Purchasing:		
Salaries and wages	131,834	129,412
Supplies and other expense	<u>36,629</u>	<u>30,070</u>
	168,463	159,482

(continued next page)

CASS COUNTY MEMORIAL HOSPITAL
Fiscal and Administrative Service Expenses - Continued
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Employee Welfare:		
Social Security tax	\$ 993,550	\$ 997,013
Iowa Public Employees' Retirement System	1,245,443	1,176,375
Group health insurance	2,050,210	1,783,399
Workers' compensation insurance	115,474	151,677
Deferred compensation	227,468	220,627
Other	<u>127,603</u>	<u>111,000</u>
	4,759,748	4,440,091
Insurance:		
Liability and property insurance	151,080	143,789
Wellness:		
Supplies and other expense	18,567	18,620
Compliance:		
Supplies and other expense	20,004	13,210
Customer Service:		
Salaries and wages	11,554	11,082
Supplies and other expense	<u>104,085</u>	<u>92,165</u>
	115,639	103,247
Foundation:		
Salaries and wages	<u>33,369</u>	<u>33,790</u>
	<u>\$ 9,018,765</u>	<u>\$ 8,543,126</u>

Summary of Expenses

Salaries and wages	\$ 14,091,919	\$ 13,976,127
Employee benefits	4,759,748	4,440,091
Professional fees	4,438,482	3,792,351
Supplies and other expense	<u>7,678,033</u>	<u>7,478,356</u>
	<u>\$ 30,968,182</u>	<u>\$ 29,686,925</u>

See Independent Auditor's Report.

CASS COUNTY MEMORIAL HOSPITAL
Comparative Statistics
Year ended June 30,

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Acute Care:					
Admissions	590	620	611	670	1,023
Discharges	587	622	611	673	1,015
Patient Days	2,058	1,982	1,807	1,958	2,716
Average Length of Stay	3.51	3.19	2.96	2.91	2.68
Average Occupied Beds	5.6	5.4	5.0	5.4	7.4
Swing Bed:					
Admissions	189	229	208	247	339
Discharges	190	231	209	244	343
SNF Days	1,451	1,843	1,633	1,639	2,276
Average Occupied Beds	4.0	5.0	4.5	4.5	6.2
Skilled Nursing Facility:					
Admissions	--	--	--	--	9
Discharges	--	--	--	--	9
Patient Days	--	--	--	--	42
Combined Average Occupied Beds (Acute and Skilled)	9.6	10.4	9.5	9.9	13.8
Psychiatric Unit:					
Admissions	211	220	271	258	209
Discharges	214	214	274	255	214
Patient Days	1,021	1,098	976	1,017	1,187
Average Occupied Beds	2.8	3.0	2.7	2.8	3.3
Total Average Occupied Beds	12.4	13.4	12.2	12.7	17.0
Nursery Days	333	268	297	249	329
Outpatient Occasions of Service	61,836	63,791	63,279	63,719	63,797
Physician Clinic Visits	42,225	40,969	38,672	39,384	43,584

See Independent Auditor's Report.

CASS COUNTY MEMORIAL HOSPITAL
Comparative Statements of Net Position
June 30,

	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash	\$ 11,889,026	\$ 8,915,658
Patient receivables, net	4,254,951	4,767,569
Other receivables	1,703,386	1,534,699
Inventory	588,916	450,895
Prepaid expense	501,536	550,649
Succeeding year property tax receivable	2,107,000	2,013,000
Internally designated assets	<u>2,093,415</u>	<u>2,060,917</u>
Total current assets	23,138,230	20,293,387
Other Assets:		
Designated and restricted assets, net	3,617,065	6,559,492
Capital assets, net	32,374,635	29,298,988
Other noncurrent assets	<u>918,938</u>	<u>1,046,326</u>
Total other assets	<u>36,910,638</u>	<u>36,904,806</u>
	<u>\$ 60,048,868</u>	<u>\$ 57,198,193</u>
Current Liabilities:		
Current maturities of long-term debt	\$ 865,799	\$ 872,942
Accounts payable	1,745,422	1,586,575
Accrued expenses	2,579,327	2,565,321
Estimated third-party payor settlements	436,000	751,000
Deferred revenue for succeeding year property tax receivable	<u>2,107,000</u>	<u>2,013,000</u>
Total current liabilities	7,733,548	7,788,838
Capital Lease Obligations, Net	--	197,305
Bonds Payable, Net	22,150,000	22,830,000
Deferred Inflows of Resources:		
Deferred Revenue	1,128,268	--
Net Position	<u>29,037,052</u>	<u>26,382,050</u>
	<u>\$ 60,048,868</u>	<u>\$ 57,198,193</u>

See Independent Auditor's Report.

<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 7,256,381	\$ 3,636,087	\$ 3,322,317
4,067,652	5,064,426	5,419,949
872,088	913,607	839,699
520,233	572,468	682,971
521,870	449,963	554,369
1,950,000	1,851,000	2,086,000
486,059	493,092	562,833
<u>15,674,283</u>	<u>12,980,643</u>	<u>13,468,138</u>
22,588,859	5,992,362	5,174,364
13,400,851	9,313,124	9,189,413
924,221	1,085,656	1,057,152
<u>36,913,931</u>	<u>16,391,142</u>	<u>15,420,929</u>
<u>\$ 52,588,214</u>	<u>\$ 29,371,785</u>	<u>\$ 28,889,067</u>
\$ 241,129	\$ 460,393	\$ 537,869
616,749	650,584	717,953
2,272,731	2,131,356	2,199,624
449,000	660,000	583,000
<u>1,950,000</u>	<u>1,851,000</u>	<u>2,086,000</u>
<u>5,529,609</u>	<u>5,753,333</u>	<u>6,124,446</u>
319,026	529,706	298,497
23,500,000	--	153,135
--	--	--
<u>23,239,579</u>	<u>23,088,746</u>	<u>22,312,989</u>
<u>\$ 52,588,214</u>	<u>\$ 29,371,785</u>	<u>\$ 28,889,067</u>

CASS COUNTY MEMORIAL HOSPITAL
Comparative Statements of Revenues and Expenses
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Patient Service Revenue	\$ 50,421,417	\$ 46,792,586
Adjustments to Patient Service Revenue	<u>(17,750,261)</u>	<u>(16,582,150)</u>
Net Patient Service Revenue	32,671,156	30,210,436
Other Revenue	<u>798,999</u>	<u>758,766</u>
Total Revenue	33,470,155	30,969,202
Expenses	<u>33,855,317</u>	<u>31,181,130</u>
Operating Loss	(385,162)	(211,928)
Non-Operating Revenue, Net	2,771,414	3,269,283
Capital Grants and Contributions	<u>268,750</u>	<u>85,116</u>
Excess of Revenues Over Expenses	<u>\$ 2,655,002</u>	<u>\$ 3,142,471</u>

See Independent Auditor's Report.

<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 44,871,636	\$ 44,929,206	\$ 47,217,240
<u>(16,961,710)</u>	<u>(15,406,862)</u>	<u>(17,502,545)</u>
27,909,926	29,522,344	29,714,695
<u>844,730</u>	<u>1,142,048</u>	<u>1,109,490</u>
28,754,656	30,664,392	30,824,185
<u>31,436,858</u>	<u>31,838,929</u>	<u>31,698,666</u>
(2,682,202)	(1,174,537)	(874,481)
2,746,127	1,865,380	2,082,108
<u>86,908</u>	<u>84,914</u>	<u>64,686</u>
<u>\$ 150,833</u>	<u>\$ 775,757</u>	<u>\$ 1,272,313</u>

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

MARK D. KYHNN
DAVID L. HANNASCH
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Trustees
Cass County Memorial Hospital
Atlantic, Iowa

We have audited the financial statements of Cass County Memorial Hospital as of and for the year ended June 30, 2013, and have issued our report thereon dated October 15, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cass County Memorial Hospital's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Cass County Memorial Hospital's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Hospital's financial statements will not be prevented or detected and corrected on a timely basis.

To the Board of Trustees
Cass County Memorial Hospital

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item 13-I-A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cass County Memorial Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Hospital. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Response to Findings

Cass County Memorial Hospital's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Hospital's responses, we did not audit the Hospital's responses and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Hospital's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Omne Wahl, Ben, Kyhn & W. P. C.

Atlantic, Iowa
October 15, 2013

CASS COUNTY MEMORIAL HOSPITAL
Schedule of Findings
Year ended June 30, 2013

PART I - SIGNIFICANT DEFICIENCIES

13-I-A Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Hospital. This deficiency is common among most small rural Hospitals.

Recommendation: We recognize that it may not be economically feasible for the Hospital to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Hospital to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

* * *

PART II - REQUIRED STATUTORY REPORTING

13-II-A Certified Budget: Hospital expenditures during the year ended June 30, 2013 did not exceed amounts budgeted.

13-II-B Questionable Expenditures: During the audit, we noted a certain expenditure approved in the Board minutes that may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979. The expense was as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Employee Recreation Club	Employee holiday party	\$ 750

Recommendation: We recommend that the Board continue to document the public purpose of such an expenditure before authorization is given.

Response: The expenditure is considered part of the employee benefit package and the Board feels it meets the requirements of public purpose as defined by the Attorney General's opinion dated April 25, 1979.

Conclusion: Response accepted.

CASS COUNTY MEMORIAL HOSPITAL
Schedule of Findings - Continued
Year ended June 30, 2013

PART II - REQUIRED STATUTORY REPORTING - Continued

13-II-C Travel Expense: No expenditures of Hospital money for travel expenses of spouses of Hospital officials and/or employees were noted.

13-II-D Business Transactions: During our audit, we noted no business transactions with Hospital employees or officials.

13-II-E Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.

13-II-F Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Hospital's investment policy, except we noted during the audit that the Hospital's deposits at the First Whitney Bank exceeded the maximum depository amount as approved in its depository resolution.

Recommendation: We recommend that the Hospital adopt a revised depository resolution to increase the maximum depository amount that can be held at the First Whitney Bank in accordance with Chapter 12C.2 of the Code of Iowa.

Response: A revised depository resolution was adopted by the Hospital Board at its September 18, 2013 board meeting.

Conclusion: Response accepted.

* * *